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TO AMEMBASSY LISBON

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: OPIC INSURANCE

REFERENCE: LISBON 2071 OF APRIL 11, 1975

1. USG INVESTMENT GUARANTY PROGRAM, NOW REFERRED TO AS INVESTMENT INSURANCE AND ADMINISTERED BY OPIC SINCE JANUARY 1971, WAS INSTITUTED IN PORTUGAL BY PARAGRAPH III OF THE ECONOMIC AND TECHNICAL COOPERATION AGREEMENT OF SEPTEMBER 28, 1948, AS AMENDED; AND AS FURTHER AMENDED BY A PROTOCOL ON THE SUBJECT OF INVESTMENT GUARANTIES ONLY ON MAY 26, 1953. THUS INSURANCE AGAINST INCONVERTIBILITY AND EXPROPRIATION WERE AVAILABLE FOR PORTUGAL - BOTH METROPOLE AND DEPENDENCIES - FROM 1948-1953 UNTIL EARLY 1970. FTER EXTENSIVE CONSIDERATION AND DISCUSSIONS AND WITH THE CONCURRENCE OF THE ASST. SECRETARY OF STATE FOR EUR, EMB/LISBON AND THE GOP FONOFF, THIS LIMITED PROGRAM WAS TERMINATED IN THE METROPOLE ONLY AS OF FEB. 6, 1970 EXCEPT FOR PIPELINE CASES. FOUR INSURANCE CONTRACTS REMAIN

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OUTSTANDING. THE PROGRAM CONTINUED IN THE DEPENDENCIES.

2. IN 1959, USG INVESTMENT INSURANCE WAS LIMITED BY STATUTE TO LDC'S. FACTORS LEADING TO THE DECISION TO DISCONTINUE THE PROGRAM IN PORTUGAL METROPOLE INCLUDED

(A) PORTUGAL'S POSITION AS AID-GIVER WITHIN OECD/DAC AND RELATIVELY HIGH PERCENTAGE GNP DEVOTED TO EXTERNAL ASSISTANCE TO AFRICAN DEPENDENCIES, (B) LIMITED INVESTOR INTEREST AND (C) USG EFFORTS TO REDUCE ITS INVESTMENT INCENTIVE PROGRAMS IN EUROPEAN AREAS ACHIEVING DEVELOPED STATUS

INCLUDING SPAIN AS WELL AS PORTUGAL. THE GOP OFFICIALS WERE UNPERTURBED AT THE TIME THAT THE PROGRAM WOULD BE DISCONTINUED IN THE METROPOLE NOTING THAT IT WAS A HOLD OVER FROM MARSHALL PLAN DAYS. GOP ACCEPTANCE OF THE ACTION WAS, HOWEVER, CONTINGENT ON THE REMAINING AVAILABILITY OF USG INVESTMENT INSURANCE FOR THE PORTUGUESE DEPENDENCIES.

3. REINSTITUTION OF OPIC INCONVERTIBILITY/EXPROPRIATION INSURANCE PROGRAM IN THE METROPOLE WOULD REQUIRE HIGH-LEVEL CONSIDERATION AND CONCURRENCE, INCLUDING APPROVAL BY THE OPIC BOARD OF DIRECTORS, AND AMENDMENT OR RENEGOTIATION OF THE EXISTING BILATERAL UNDERSTANDINGS WOULD BE NECESSARY. RECENT NATIONALIZATIONS AND POLITICAL TURBULENCE WOULD BE NEGATIVE FACTORS IN CONSIDERING REINSTITUTION. ON THE OTHER HAND, PORTUGAL'S WITHDRAWAL FROM THE LIST OF OECD/DAC DONORS, ITS REQUESTS FOR ASSISTANCE AS AN LDC, AND THE GENERAL CONSIDERATION UNDER WAY IN WASHINGTON TO LIST PORTUGAL AS AN LDC FOR GSP PURPOSES, CHANGE SOME OF THE CIRCUMSTANCES THAT LED TO

DISCONTINUANCE IN 1971.

4. RE YOUR QUERIES 4 A AND B OPIC POLICY DOES NOT PROVIDE FOR COVERAGE OF EXISTING INVESTMENT. INVESTOR MUST REQUEST COVERAGE PRIOR TO ENTERING INTO IRREVOCABLE COMMITMENT TO INVEST. HOWEVER, OPIC WILL COVER NEW INVESTMENT FOR EXPANSION OF AN EXISTING ENTERPRISE. ALSO, INSURANCE WILL BE PROVIDED ON EXISTING INTEREST ACQUIRED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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BY INVESTOR TO THE EXTENT INVESTOR IS PUTTING IN NEW CAPITAL FOR EXPANSION. DOUBTFUL THAT ESSEX INVESTMENT WOULD BE ELIGIBLE.

5. COPIES OF MATERIALS ON OPIC PROGRAMS BEING FORWARDED BY AIR THIS DATE WITH REFERENCE TO YOUR MESSAGE. OPIC HAS RECENTLY RECEIVED NUMBER OF INQUIRIES FROM U.S. INVESTORS REGARDING AVAILABILITY INSURANCE IN PORTUGAL AND HAS RESPONDED ALONG ABOVE LINES. KISSINGER

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